

September 7, 2007

Mr. Les Boles
State Budget Director
Office of State Budget
1201 Main Street, Suite 900
Columbia, South Carolina 29201

Dear Mr. Boles,

Please accept the enclosed budget request for the Department of Commerce for FY2008-2009. The Department is respectfully returning the Venture Capital funding that was received in last legislative session. The Department only has one additional request: Closing Fund - \$7,000,000.

The Department is not requesting any capital improvement funding at this time.

We also have two proviso updates. One is for clarification of operating costs for Coordinating Council and the second one is a deletion of the I-73/I-74 proviso.

We appreciate your continued help and support in all our budget matters.

If you have any questions regarding this request, please let me know.

Warm Regards,

Mandy M. Kibler
Director of Administration

FISCAL YEAR 2008-2009 BUDGET PLAN

I. EXECUTIVE SUMMARY

A. **Agency Section/Code/Name:** Section 40/P32/Commerce

B. **Statewide Mission:** The South Carolina Department of Commerce is the economic development and business recruiting arm of the state. The staff and leadership of DOC are totally committed to the mission of the agency and believe in striving to enhance the quality of life for all South Carolinians.

Agency mission statement:

To improve the per capita income of all South Carolinians in a manner that supports and enhances a high quality of life.

It is our vision that South Carolina's economy will become more competitive in a global economy, providing South Carolinians of all ages and skill levels an opportunity to maximize their talents and abilities.

Agency value statement:

DOC is a professional, team-focused, and innovative organization committed to achieving its mission while being a good steward of the taxpayer's dollar.

C. **Summary Description of Strategic or Long-Term Goals:**

- (1) Develop a strategy that recognizes the strengths of the state's existing industries and builds on the opportunities those strengths present.
- (2) Implement a targeted marketing strategy for high-growth industries built around industry clusters identified in our strategic plan.
- (3) Increase investment and job creation in rural South Carolina.
- (4) Increase the quality of the "economic product" in South Carolina through leadership development and a strategic investment strategy.
- (5) Increase the value of exports from South Carolina businesses.
- (6) Develop a strategy to partner workforce development and economic development around industry clusters.

D.

Summary of Operating Budget Priorities for FY 2008-09:		FUNDING					FTEs			
		State Non-Recurring	State Recurring	Federal	Other	Total	State	Fed.	Other	Total
Priority No.: 1	Title: Venture Capital Program Funding	0	(197,500)	0	0	(\$197,500)	0	0	0	0.00

Summary of Operating Budget Priorities for FY 2008-09:	FUNDING					FTEs			
	State Non-Recurring	State Recurring	Federal	Other	Total	State	Fed.	Other	Total
Strategic Goal No. Referenced in Item C Above (if applicable): Activity Number & Name: 1775 Venture Capital Authority									
Priority No: 2 Title: Deal Closing Fund	7,000,000				\$7,000,000				
Strategic Goal No. Referenced in Item C Above (if applicable): Activity Number & Name: 1779 Deal Closing Fund									
TOTAL OF ALL PRIORITIES	\$7,000,000	\$(197,500)	\$ 0	\$ 0	\$6,802,500	000	0.00	0.00	0.00

E. **Agency Recurring Base Appropriation:**

State \$ 17,413,870
Federal\$ 90,720,464
Other \$ 37,348,900

F. **Efficiency Measures:**

Budgeting and Financial Processes – The Department continues with a formal budgeting process which began in November 2003. During this process, each division developed Key Bets (short term goals) and Strategic Initiatives (long term goals). The Key Bets and Strategic Initiatives are then tied to the budget. Each month the Division Directors meets with the Chief of Staff and the Director of Administration in order to provide updates to Key Bets and Strategic Initiatives and to review the division’s budget. Each fiscal year the Key Bets and Strategic Initiatives are reviewed and updated. This provides accountability not only for the department but for the businesses and communities that we work with on a day-to-day basis.

Annual Performance Incentive Program (APIP) – The Department has implemented an Annual Performance Incentive Program for all full time employees. The Annual Performance Incentive Program is tied directly to performance at both the division and individual level. The purpose of the Agency Performance Incentive Plan is to provide a strategic tool to assist the Department of Commerce in achieving its goal of improving the economic well being of South Carolinians in a manner that supports and enhances a high quality of life by linking specific

performance measures to incentive pay. The plan is designed to potentially reward employees for exceptional performance for assigned duties and responsibilities, achieving targeted quality and productivity goals and contributing to the strategic initiatives of their business unit.

G.

Summary of Capital Budget Priorities:			Additional State Funds	Previously Authorized State Funds	Total Other Fund Sources	Project Total
Priority No.:	<u>Project Name:</u> Activity Number & Name:	Project No*:	0	0	0	\$ 0
Priority No.:	<u>Project Name:</u> Activity Number & Name:	Project No*:	0	0	0	\$ 0
Priority No.:	<u>Project Name:</u> Activity Number & Name:	Project No*:	0	0	0	\$ 0
Total of All Capital Budget Priorities:			\$ 0	\$ 0	\$ 0	\$ 0

* If applicable

**** We are not requesting additional dollars at this time for capital improvements.

H. **Number of Proviso Changes:** 2

I. **Signature/Agency Contacts/Telephone Numbers:**

Mr. Joe E. Taylor, Jr.
Commerce Secretary
(803) 737-0400

Ms. Mandy M. Kibler
Director of Administration
(803) 737-0462

II. DETAILED JUSTIFICATION FOR FY 2008-2009 OPERATING BUDGET PRIORITIES

A. Agency Section/Code/Name: Section 40 – Department of Commerce P32

B. Priority No. __1__ of __2__

C. (1) Title: Venture Capital Program Funding

(2) Summary Description: **The Department requested funding for the Venture Capital Program last year. After review of this program and the needs from the Venture Capital Authority, the department believes that this funding is not necessary and is respectfully returning the money to the General Fund.**

(3) Strategic Goal/Action Plan (*if applicable*): ALL

D. Budget Program Number and Name: Business Solutions – 60050100 - IIB

E. Agency Activity Number and Name: 1775 Venture Capital Authority

F. Detailed Justification for Funding

(1) Justification for Funding Increase:

(2)

FY 2008-09 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*					0.00
(b) Salary		(60,000)			(\$60,000)
(c) Fringe Benefits		(18,000)			(\$18,000)
Program/Case Services					\$ 0
Pass-Through Funds					\$ 0
Other Operating Expenses		(119,500)			(\$119,500)

Total	\$ 0	(\$197,500)	\$ 0	\$ 0	(\$197,500)
<i>* If new FTEs are needed, please complete Section F (Detailed Justification for FTEs) below.</i>					

(3) Base Appropriation:

State \$ 17,413,870
Federal \$ 90,720,464
Other \$ 37,348,900

(4) Is this priority associated with a Capital Budget Priority? No If so, state Capital Budget Priority Number and Project Name: _____.

G. Detailed Justification for FTEs

(1) Justification for New FTEs

- (a) Justification:
(b) Future Impact on Operating Expenses or Facility Requirements:

(2) Position Details:

	State	Federal	Earmarked	Restricted	Total
Position Title:					
(a) Number of FTEs					0.00
(b) Salary					\$ 0
(c) Fringe Benefits					\$ 0

	State	Federal	Earmarked	Restricted	Total
Position Title:					
(a) Number of FTEs					0.00
(b) Salary					\$ 0
(c) Fringe Benefits					\$ 0

(3) FTEs in Program Area per FY 2007-2008 Appropriation Act:

State ___106.97___

Federal ___38.87___

Other ___16.16___

Agency-wide Vacant FTEs as of July 31, 2007: 30

% Vacant ___18.5___% * Vacancy rate is higher than normal due to the new positions that we received as of July 1, 2007 and vacant WIA positions from the transfer of this program from ESC.

H. Other Comments:

II. DETAILED JUSTIFICATION FOR FY 2008-08 OPERATING BUDGET PRIORITIES

A. Agency Section/Code/Name: Section 40 – Department of Commerce P32

B. Priority No. __2__ of __2__

C. (1) Title: Deal Closing Fund

(2) Summary Description: These funds will as a part of recruiting businesses to South Carolina. They will be a valuable tool as part of recruitment efforts and will provide value added items towards the end of a recruiting deal. The Department has been funded with Non-Recurring sources for the last two years.

(3) Strategic Goal/Action Plan (*if applicable*): ALL

D. Budget Program Number and Name: 60010100 – Business Development - IIA

E. Agency Activity Number and Name: 1779 Deal Closing Fund

F. Detailed Justification for Funding

(1) Justification for Funding Increase: These funds will as a part of recruiting businesses to South Carolina. They will be a valuable tool as part of recruitment efforts and will provide value added items towards the end of a recruiting deal.

(2)

FY 2008-09 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*					0.00
(b) Salary					\$ 0
(c) Fringe Benefits					\$ 0
Program/Case Services					\$ 0
Pass-Through Funds	7,000,000				\$7,000,000

Other Operating Expenses					\$ 0
Total	\$ 7,000,000	\$ 0	\$ 0	\$ 0	\$7,000,000
<i>* If new FTEs are needed, please complete Section F (Detailed Justification for FTEs) below.</i>					

(3) Base Appropriation:

State \$ 17,413,870

Federal \$ 90,720,464

Other \$ 37,348,900

(4) Is this priority associated with a Capital Budget Priority? No If so, state Capital Budget Priority Number and Project Name: _____.

G. Detailed Justification for FTEs

(2) Justification for New FTEs

(a) Justification:

(b) Future Impact on Operating Expenses or Facility Requirements:

(2) Position Details:

	State	Federal	Earmarked	Restricted	Total
Position Title: Engineer II					
(a) Number of FTEs					0.00
(b) Salary					\$ 0
(c) Fringe Benefits					\$ 0

	State	Federal	Earmarked	Restricted	Total
Position Title:					
(a) Number of FTEs					0.00
(b) Salary					\$ 0
(c) Fringe Benefits					\$ 0

(3) FTEs in Program Area per FY 2007-2008 Appropriation Act:

State	___106.97___
Federal	___38.87___
Other	___16.16___

Agency-wide Vacant FTEs as of July 31, 2007: 30

% Vacant 18.5% * Vacancy rate is higher than normal due to the new positions that we received as of July 1, 2007 and vacant WIA positions from the transfer of this program from ESC.

H. Other Comments:

III. DETAILED JUSTIFICATION FOR CAPITAL BUDGET PRIORITIES

**** We are not requesting additional dollars at this time for capital improvements.

- A. Agency Section/Code/Name: Section 40 – Department of Commerce P32
- B. Priority No. ____ of ____
- C. Strategic Goal/Action Plan (*if applicable*):
- D. Project Name and Number (*if applicable*):
- E. Agency Activity Number and Name:
- F. Description of Priority:
- G. Detailed Justification for Funding

(1) Justification for Funding Priority:

(2)

Total Project Cost Estimates:	Additional State Funds	Previously Authorized State Funds	Total Other Fund Sources	Project Total
Total Project Cost*				\$ 0

** If additional annual operating costs from any source of funding are anticipated upon project completion please complete Sections H and I (Justification for Additional Future Annual Operating Costs) below.*

H. Justification for First Year Additional Future Annual Operating Costs:

Will additional annual operating costs be absorbed into your existing budget? _____

If not, will additional state funds be needed in the future? _____

If state funds will not be needed in the future, explain the source(s) that will be used. _____

First Fiscal Year Additional Annual Operating Costs Are Anticipated: _____ Will this fiscal year require a partial or full year's operating funds? _____ If a partial year's funds are required, what portion of the year does it cover? _____

(3)

Additional Annual Operating Cost Details:	State Non-Recurring	State Recurring	Federal	Other	Total
Total Costs:					
(a) Number of FTEs					0.00
(b) Total Personnel Costs					\$ 0
(c) Furniture/Equipment					\$ 0
(d) Other Operating Costs					\$ 0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

I. Justification for First Full Year Additional Future Annual Operating Costs (*If Section H above represents a full year's operating funds, do not complete this section.*)

(1) Will additional annual operating costs be absorbed into your existing budget? _____
 If not, will additional state funds be needed in the future? _____
 If state funds will not be needed in the future, explain the source(s) that will be used. _____

(2) First Full Fiscal Year Additional Annual Operating Costs Are Anticipated: _____

(3)

Additional Annual Operating Cost Details:	State Non-Recurring	State Recurring	Federal	Other	Total
Total Costs:					
(a) Number of FTEs					0.00
(b) Total Personnel Costs					\$ 0
(c) Furniture/Equipment					\$ 0
(d) Other Operating Costs					\$ 0

Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
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J. Other Comments:

FY 2008-09 ACTIVITY PRIORITY ADDENDUM

I. PRIORITY ASSESSMENT OF ACTIVITIES – HIGHEST PRIORITIES

A. Agency Section/Code/Name: Section 40 – Department of Commerce P32

B.

Priority Assessment of Activities – Highest Priorities	General	Federal	Supplemental	Capital Reserve	Other	Total	FT Es
Activity Number & Name: 1291 Business Development – Project Management	\$2,815,038	0	0	0	0	\$2,815,038	0
Activity Number & Name: 1295 Business Solutions – Small Business	\$591,648	0	0	0	0	\$591,648	0
Activity Number & Name: 1298 Community and Rural Development	\$343,498	0	0	0	\$615,285	\$958,783	0
Activity Number & Name: 1304 Community Development Block Grant (CDBG)	\$500,000	\$30,310,464	0	0	0	\$30,810,464	0
Activity Number & Name: 1605 Workforce Development (WIA)	0	\$60,000,000	0	0	0	\$60,000,000	0
TOTAL OF HIGHEST PRIORITIES	\$4,250,184	\$90,310,464	\$ 0	\$ 0	\$615,285	\$95,175,933	0.0

FY 2008-09 ACTIVITY PRIORITY ADDENDUM

II. PRIORITY ASSESSMENT OF ACTIVITIES – LOWEST PRIORITIES

- A. **Agency Section/Code/Name: Section 40 – Department of Commerce P32**
- B. Agency Activity Number and Name: 1307 Agency Pass Thrus
- C. Explanation of Lowest Priority Status: These dollars are for pass thru allocations to which are outside the scope of Commerce's enabling legislation.
- D. Estimate of Savings:

Estimate of Savings:	General	Federal	Supplemental	Capital Reserve	Other	Total
Personnel:						
(a) Number of FTEs	0	0	0	0	0	0.00
(b) Personal Service	0		0	0	0	\$ 0
(c) Employer Contributions	0		0	0	0	\$ 0
Program/Case Services	0	0	0	0	0	\$ 0
Pass-Through Funds	\$597,688	0	0	0	0	\$597,688
Other Operating Expenses	0	0	0	0	0	\$ 0
Total	\$597,688	\$ 0	\$ 0	\$ 0	\$ 0	\$597,688

- E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*):

F.

Summary of Cost Savings Initiatives for FY 2008-08:	FUNDING				FTEs			
	General	Federal	Other	Total	State	Fed.	Other	Total
Initiative Title: 1307 Pass Thru	597,688	0	0	\$597,688	0	0	0	0.00
Activity Number & Name:								
Initiative Title:	0	0	0	\$ 0	0	0	0	0.00
Activity Number & Name:								
Initiative Title:	0	0	0	\$ 0	0	0	0	0.00
Activity Number & Name:								
TOTAL OF ALL INITIATIVES	\$597,688	\$ 0	\$ 0	\$597,688	0.00	0.00	0.00	0.00